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“Returning from Town” by the famous
19th Century Canadian Master, Cornelius
Krieghoff, 1815-1872.

*On peut se procurer la version
française de ce rapport en en faisant
la demande au siège social de la
compagnie, B.P. 221, Commerce
Court East, Toronto, Ontario,
M5L 1E8.*

Hollinger Argus Limited

Incorporated under the laws of Ontario

FEB 4, 1981

Com P.C.
F.M.A./

Annual Report 1979

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Annual Meeting

Thursday, May 8, 1980,
11 a.m. (Eastern Daylight
Time), Confederation Room,
Royal York Hotel, 100 Front
Street West, Toronto.

Highlights	1979	1978
Net income (before extraordinary gain)	\$21,823,000	\$13,010,000
Net income (after extraordinary gain)	\$107,452,000	\$13,839,000
Earnings/share (before extraordinary gain)	\$4.07	\$2.64
Earnings/share (after extraordinary gain)	\$20.03	\$2.81
Regular dividends paid per share	\$2.20	\$2.06
Special dividend paid per share	—	\$1.00
Cash and Short-Term deposits	\$36,595,000	\$55,684,000
Shares held in Canada	92.14%	89.53%

Directors

- **Maurice Archer**
Montreal
- Lewis H. M. Ayre**
St. John's, Nfld.
- Douglas G. Bassett**
Toronto
- *Conrad M. Black**
Toronto
- *G. Montegu Black**
Toronto
- *Dixon S. Chant**
Toronto
- Glen W. Davis**
Toronto
- *David M. Dunlap**
Toronto
- Fredrik S. Eaton**
Toronto
- A. L. Fairley, Jr.**
Birmingham, Ala.
- **John R. Finlay**
Toronto
- *P. C. Finlay**
Toronto
- H. N. R. Jackman**
Toronto
- *Allen A. McMartin**
Bermuda
- †Duncan McMartin**
Bermuda
- Duncan C. McMartin,**
Toronto
- F. David Radler**
Vancouver
- Ronald T. Riley**
Montreal
- *C. Bruce Ross**
Toronto
- Peter G. White**
London

Officers

- P. C. Finlay**
Chairman, Chief Executive
Officer and Treasurer
- Conrad M. Black**
Vice-Chairman of the Board
- G. Montegu Black**
President
- C. Bruce Ross**
Executive Vice-President and
General Manager
- Dixon S. Chant**
Executive Vice-President
- C. G. Cowan**
Secretary
- Alexandra Campbell**
Assistant Treasurer

Head office
Suite 601, P.O. Box 221
Commerce Court East
Toronto, Ontario M5L 1E8

Transfer Agents
Crown Trust Company
Toronto and Montreal

Morgan Guaranty Trust
Company of New York
New York

Registrars
Canada Permanent Trust
Company, Toronto

Montreal Trust Company
Montreal

The Royal Bank
and Trust Company
New York

Bankers
Bank of Montreal
Toronto

General Counsel and Solicitors
Holden, Murdoch & Finlay
Toronto

Auditors
Deloitte Haskins & Sells
Toronto

* Member of the Executive Committee

** Member of the Audit Committee

† Deceased March 31, 1979

50 Years of Service



Allen A. McMartin

Director — Elected 1930, Retired 1980

President — 1961 to 1963

Chairman — 1963 to 1979

Son of one of the five original founders of the Company and of the Hollinger gold mine at Timmins, Allen actively participated in all the affairs of the Company and, like

his father in gold mining operations, he can be classed as one of the founders of the iron ore operations of the Company. On behalf of the Directors and Shareholders of this

Company, we extend to Allen our sincere thanks for the many services which he rendered to the Company over such a long period of time.

Directors' Report to the Shareholders:



P. C. Finlay

This report of the Directors of Hollinger Argus Limited is for the fiscal year ended December 31, 1979, being the company's 69th year of operation. Hollinger Argus financial statements are consolidated with those of its subsidiaries, Labrador Mining and Exploration Company Limited, Hollinger North Shore Exploration Company Limited and Argus Corporation Limited. In the case of Argus, its income is reflected in the consolidated financial statements from June 21, 1979, to December 31, 1979. The consolidated net income of Hollinger Argus in 1979 was \$21,823,000 (excluding extraordinary gain of \$85,629,000), equal to \$4.07 a share, compared to net income in 1978 of \$13,010,000 (excluding extraordinary gain of \$829,000) equal to \$2.64 a share. The net earnings for the year 1979 amounted to \$20.03 per share (including extraordinary gain on sale of investments of \$85,629,000).

Revenue from royalties on iron ore, interest, dividends and other income amounted to

\$64,964,000 in 1979 and was well above revenue of \$36,168,000 in 1978. Income taxes at \$13,035,000 current and \$1,978,000 deferred in 1979 were \$8,493,000 more than in 1978. Newfoundland royalty taxes were \$7,900,000 in 1979 as compared with 4,529,000 in 1978. In 1978,

the Iron Ore Company operation was closed due to a strike which lasted from March 9, 1978, to July 19, 1978. The increased revenue in 1979 over 1978 was due to greater iron ore production and higher selling prices and to more dividend and interest income.

Investments

The significant investments of Hollinger Argus at December 31, 1979, were as follows:

Company	Shares	% Interest
Argus Corporation Limited	1,632,019 Common 4,911,402 Class C Preference	77.31
Hollinger-Hanna Limited	500	
Hollinger North Shore	1,455,825	60
Iron Ore Company	732,219	7.146
Labrador Mining	2,677,677	66.94

The significant investments of Labrador Mining at December 31, 1979, were as follows:

Company	Shares	% Interest
Iron Ore Company	340,565	3.23
Norcen Energy Resources Ltd.	2,400,000	9.6*
Brascan Limited indebtedness	\$168,785,530.00	

* The Company acquired an additional 7,243,250 shares of Norcen Energy Resources Limited on February 1, 1980, increasing its shareholding to approximately 37%.

The significant investments of Argus Corporation Limited at December 31, 1979, were as follows:

Company	Shares	% Interest
Dominion Stores Limited	3,242,300	37.9
Massey-Ferguson Limited	3,000,000	16.4
Standard Broadcasting Limited	2,880,975	51.0

Share Information

The common stock of Hollinger Argus Limited is traded on the American, Toronto and Montreal Stock Exchanges. The quarterly high and low sales prices and quarterly dividends paid for 1979 and 1978 are shown here.

Quarter	Sale price per share				Dividends per share	
	1979		1978		1979	1978
	High	Low	High	Low		
1	\$44.75	\$38.25	\$31	\$29	\$.55	\$.516
2	43	38.50	37	30.75	.55	.516
3	46.88	39.50	46	36	.55	.516
4	47.25	41.50	43.50	37	.55	.516
					*	1.00**

* dividends on Class B shares paid in Class B stock

** special

Purchase and Sale of Investment

On June 21, 1979, the company purchased from The Ravelston Corporation Limited and others 1,632,019 common shares and 4,908,922 Class C participating non-voting preference shares of Argus Corporation Limited for a total purchase price of \$87,693,000, paid for by the allotment and issue to Ravelston of 900,000 Class A Convertible Common Shares of the company for an aggregate consideration of \$36,000,000, and the payment of \$51,693,000 as of August 7, 1979. On September 5, 1979 Hollinger Argus purchased an additional 2,480 Class C participating non-voting shares of Argus Corporation Limited increasing its total holding of such shares to 4,911,402.

The company sold to its subsidiary, Labrador Mining and Exploration Company Limited, 1,801,520 shares of Noranda Mines Limited for a total sale price of \$80,167,640 or \$44.50 per Noranda share, which was

the market value per Noranda share on The Toronto Stock Exchange on June 18, 1979. The sale price was satisfied by the allotment and issue to the company of 700,000 shares of Labrador Mining for an aggregate consideration of \$28,525,000 and payment by certified cheque of \$40,642,640, and the balance of \$11,000,000 was paid prior to the year-end.

Oil and Gas Exploration

Your company and Labrador Mining entered into a joint venture agreement with CanDel Oil Limited to explore for oil and gas in Alberta. Hollinger Argus and Labrador Mining each has a 37½ percent interest before payout, reducing to a 25 percent interest after payout, in the joint venture. CanDel, a long established petroleum company, will manage the program. The agreement provides for firm commitments during 1979 and 1980 and may be extended for three one-year terms at the option of Hollinger Argus and Labrador Mining.

Labrador Mining made further expenditures amounting to \$5,200,000 during 1979 in drilling funds associated with Dome Petroleum Limited exploring for oil and gas in the Beaufort Sea. This brings Labrador Mining's participation in these drilling funds to \$9,320,000 during the past two years.

As previously stated in this report, Labrador Mining made a substantial investment in Norcen Energy Resources Ltd. Norcen is a large natural resource and gas utility company. It has interests in large acreages of gas and oil lands in Western Canada, Canadian frontier areas and foreign countries. Norcen operates gas utilities in Northern Ontario, Winnipeg and Montreal. Your Directors are of the opinion that the Norcen acquisition will be a long term profitable investment for Labrador Mining. In view of the substantial investment in Norcen, same will be accounted for on the equity basis in Labrador Mining's financial statements.

Shareholders of Record
as at December 31, 1970 and 1979

Residence	Shareholders		Percentage		1970	Shares		Percentage	
	1970	1979	1970	1979		1979	1970	1979	
Canada	4,550	2,787	79.05	78.66	4,466,499	5,386,502	90.78	92.14	
U.S.A.	1,075	638	18.68	18.01	238,883	112,655	4.85	1.93	
United Kingdom	50	43	.87	1.21	37,281	16,078	.77	.28	
Elsewhere	81	75	1.40	2.12	177,337	330,515	3.60	5.65	
Total:	5,756	3,543	100.00	100.00	4,920,000	5,845,750*	100.00	100.00	

* An increase in the authorized number of shares to 7,000,000 approved Nov. 15/78 with a provision that Class B shares may be issued as stock dividends on Class B shares

Directors and Officers

At a General Meeting of the Shareholders held August 16, 1979, By-Law Number A20 increasing the Board of Directors from 13 to 19 was confirmed as a Special By-Law and at the same meeting, Douglas G. Bassett, Glen W. Davis, Fredrik S. Eaton, H. N. R. Jackman, F. David Radler and Ronald T. Riley were elected Directors.

The Corporate name of Hollinger Mines Limited was changed to Hollinger Argus Limited, effective August 23, 1979.

On October 11, 1979, Allen A. McMartin retired as Chairman of the Board and was elected Honorary Chairman of the Board. P. C. Finlay resigned as President and was elected Chairman of the Board and continued as Chief Executive Officer. Conrad M. Black was appointed Vice-Chairman of the Board, G. Montegu Black, President, and Dixon S. Chant an Executive Vice-President.

Also, on October 11, 1979, the Directors appointed a Resource Investment

Committee consisting of David M. Dunlap, John R. Finlay and C. B. Ross.

Dividends

Quarterly dividends on the Class A shares of 55¢ per share during 1979 totalled \$10,256,000 and cash payments for fractional share interests in stock dividends on Class B stock amounted to \$12,000 for a total cash payment of \$10,268,000. A total of 25,750 Class B shares were issued from the Treasury by way of quarterly stock dividends on Class B shares, valued each quarter at the average weighted price at which the Class A and Class B shares traded on the Toronto Stock Exchange during the thirty trading days preceding the declaration date of each dividend. The total value of the 25,750 Class B shares issued as stock dividends in 1979 was \$1,073,000.

900,000 Class A shares previously referred to were issued in the second half of the year and one dividend @ 55¢ per share was paid on these shares.

Tribute to the Late Duncan McMartin

Duncan McMartin passed away on March 31, 1979. On May 10, 1979, your Directors passed the following Resolution.

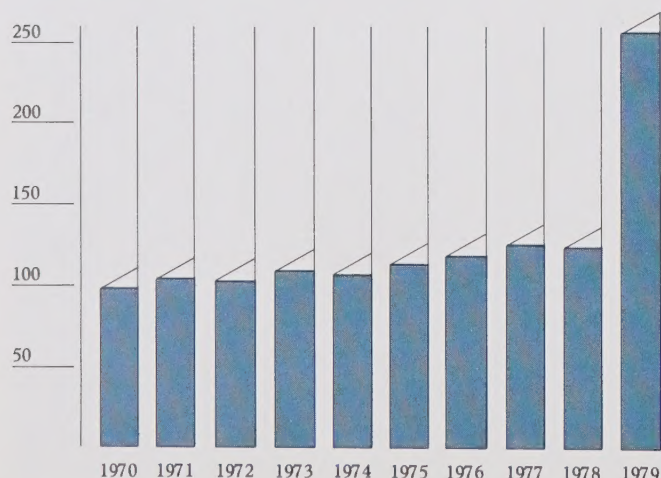
"The Directors of Hollinger Argus Limited extend their deepest sympathy to Mrs. Duncan McMartin and the members of her family in the great loss that they have suffered.

Duncan McMartin was associated with this Company during most of his lifetime. He became a Director on May 12, 1959, and held that office for almost 20 years until his death on March 31, 1979. He was also a Director of the principal subsidiary of this Company, Labrador Mining and Exploration Company Limited.

In the tradition of his great mining family which co-founded this Company, Mr. McMartin was keenly interested in its affairs and of great assistance to the Board of Directors. He was positive in his

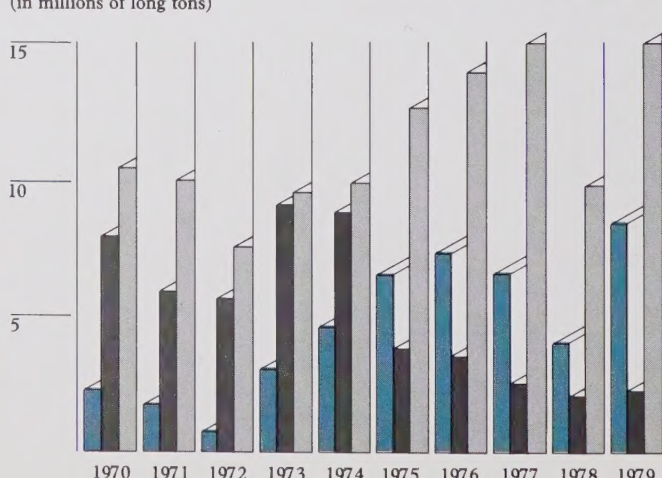
Shareholders' Equity

(in millions of dollars)

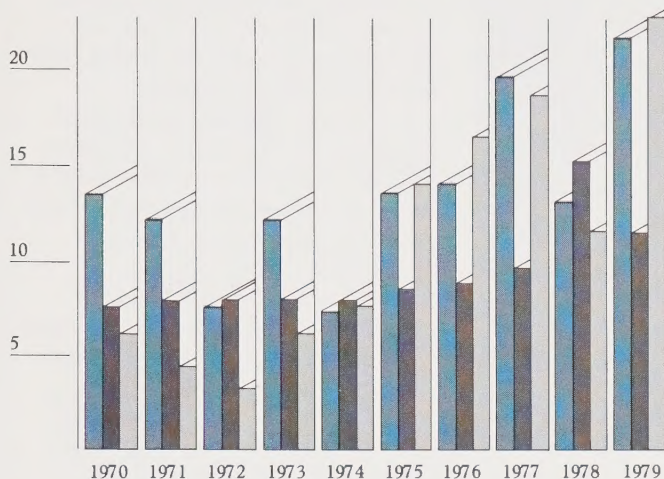


Product Sales from Subsidiaries' Lands

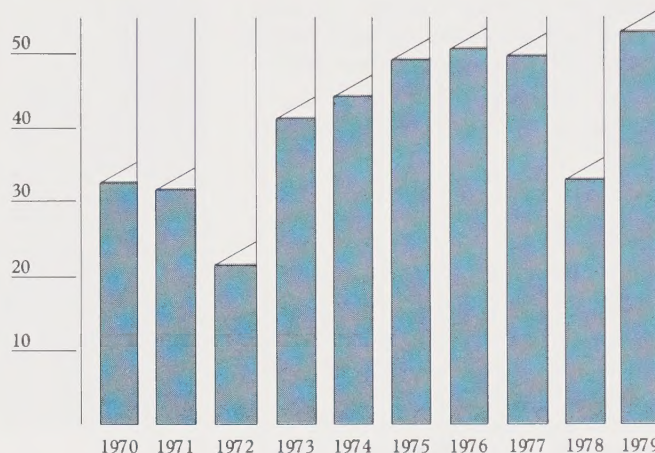
■ Concentrate ■ Direct Shipping Ore □ Pellets
(in millions of long tons)



■ Net Income ■ Dividends ■ Taxes
(in millions of Dollars)



Crude Ore Mined from Subsidiaries' Lands
(in millions of long tons)



opinions and a good friend to all. He will be sadly missed at future Meetings of this Board.

It is the sincere hope of this Board that the knowledge that he was esteemed by all who knew him will be a consolation to you in the years ahead."

The Future

The many changes which were accomplished during

1979 have greatly expanded the assets of your company and we view the long term future with confidence. While the economies of Canada and the U.S.A. may be somewhat weaker during 1980, we expect the earnings of Hollinger Argus to continue at satisfactory levels. Iron ore production may be slightly lower but income from iron ore royalties should be maintained and Iron Ore

Company of Canada expects earnings similar to 1979.

The Board of Directors wish to express their sincere appreciation to the management and staff for the services they have provided during the past year.

P. C. Finlay,
Chairman of the Board and
Chief Executive Officer

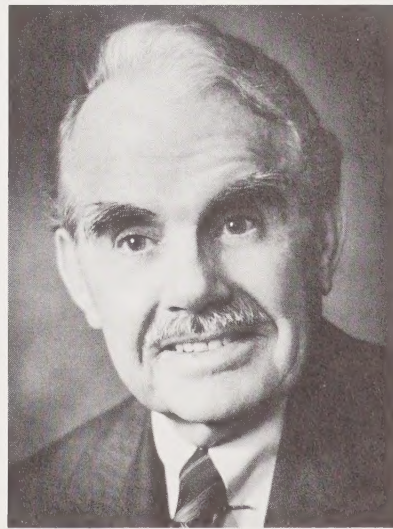
March 28, 1980



Conrad M. Black,
Vice-Chairman and
Chairman of the
Executive Committee



G. Montegu Black,
President and
Member of the
Executive Committee



Dixon S. Chant,
An Executive
Vice-President
and Member of the
Executive Committee

Executive Vice-President's Report

To the Shareholders:

Iron ore production and royalties from iron ore sales and gold production set new records during 1979. Mineral exploration expenditures were higher and an oil and gas exploration program was started during the year.

Iron Ore

Iron Ore Company of Canada mined 51.0 million long tons of crude ore from Labrador Mining Company's lands in the Labrador City and Schefferville districts and 2.1 million long tons of crude ore from Hollinger North Shore's lands at Schefferville. This total of 53.1 million long tons greatly exceeded the 33.2 million long tons mined in 1978 when operations were reduced by a lengthy strike. The 1979 total set a new record, the previous record being in 1976 when 49.3 million long tons were mined.

Processing crude ore to produce pellets and concentrate results in a reduction of volume and weight. Total sales by source and product during 1979 were:

Source and Product	Millions of long tons	
	1979	1978
Labrador Mining —		
Direct shipping ore	1.9	1.6
Concentrate	8.3	3.8
Pellets (Labrador City)	10.1	6.6
Pellets (Sept Iles)	3.4	1.9
	23.7	13.9
Hollinger North Shore —		
Direct shipping ore	.2	.3
Pellets (Sept Iles)	1.4	1.2
	1.6	1.5
Total Sales	25.3	15.4

Royalties received from iron ore sales amounted to \$44.241 million in 1979, a new record, compared to \$25.459 million in 1978. The



C. B. Ross

record was achieved by higher sales volume, increases in product sales prices during 1979 and the reduced value of the Canadian dollar.

Gold Mining

Pamour Porcupine Mines Limited mined less gold ore during 1979 from the two gold properties in the Timmins district from which Hollinger Argus receives royalty payments for the ore mined by Pamour.

Source of ore	Tons of ore mined	
	1979	1978
Hollinger property	215,289	251,354
Ross property	202,265	239,901
	417,554	491,255

The royalty per ton is based on the average price of gold during the year. The price of gold was much higher in 1979 than in 1978, resulting in royalty income of \$874,462 for 1979, compared to \$386,683 for the previous year.

Mineral Exploration

Hollinger Argus and its two subsidiaries, Labrador Mining and Hollinger North Shore, increased their mineral exploration expenditures to \$1.785 million in 1979, from \$1.479 in 1978.

Hollinger Argus conducted all of its work in Northern Ontario, exploring mainly for gold and copper. Most of the work was carried out as joint ventures with other mining companies.

Labrador Mining continued programs in Labrador, Quebec, British Columbia and the U.S.A. Some of the programs were joint ventures with other mining companies. Work on the concessions held in Labrador was expanded, exploring for base metals and obtaining additional information to evaluate iron occurrences. Exploration elsewhere in Canada and in the U.S.A. was directed towards searching for gold in Nevada and for base metals in other locations.

Hollinger North Shore continued work in the Ungava district of Quebec. One of two projects was a joint venture. Results of the work were somewhat disappointing but it is planned to continue the program in 1980 in an effort to find additional copper zones in the vicinity of those already known.

Oil and Gas Exploration

The joint venture formed by Hollinger Argus, Labrador Mining and CanDel Oil commenced operations in September. Most of the time until year end was devoted to acquiring lands and planning the field program for 1980. The joint venture did participate in drilling one well which was unsuccessful. Varying interests were held in 60,167 gross acres of land in Alberta at the end of the year. Expenditures during 1979 amounted to \$4,667,000 by each of Hollinger Argus and Labrador Mining, for a total of \$9,334,000.

Respectfully submitted,

C. B. Ross,
Executive Vice-President
and General Manager

March 28, 1980.

Consolidated Statement of Earnings and Retained Earnings

For the year ended December 31, 1979 (with prior year's figures for comparison)

		1979	1978
		(thousands of dollars except per share data)	
Revenue:	Royalties on iron ore	\$ 44,123	\$ 25,459
	Interest	11,626	4,833
	Dividends	7,925	4,207
	Other	1,290	1,669
	Total revenue	64,964	36,168
Expense:	Exploration	6,861	5,519
	Interest	687	—
	Administrative	2,504	1,100
		10,052	6,619
Earnings before taxes, minority interests and extraordinary gain		54,912	29,549
Taxes:	Income: Current	13,035	6,520
	Deferred	1,978	—
	Newfoundland royalty	7,900	4,529
		22,913	11,049
Earnings before minority interests and extraordinary gain		31,999	18,500
Minority interests		10,176	5,490
Earnings before extraordinary gain		21,823	13,010
Extraordinary gain on sale of investments			
	— less income taxes of \$20,312,000 (1978 — \$452,000) and minority interests of \$17,676,000 (1978 — \$547,000)	85,629	829
Net earnings for the year		107,452	13,839
Retained earnings at beginning of the year		50,165	103,536
		157,617	117,375
Dividends:	Cash: Regular	10,268	10,138
	Special	—	4,920
	Stock (Note 8)	1,073	—
	Deemed dividend on capitalization of retained earnings (Note 9)	—	52,152
		11,341	67,210
Retained earnings at end of the year		\$ 146,276	\$ 50,165
Earnings per share (Note 12):	Earnings before extraordinary gain	\$ 4.07	\$ 2.64
	Net earnings for the year	\$20.03	\$ 2.81

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet

as at December 31, 1979 (with prior year's figures for comparison)

Assets		1979	1978
		(thousands)	
Investments:	Securities — at quoted market price (Note 4)	\$ 136,228	\$ —
	Other — at cost (Note 5)	114,559	91,941
	Total investments	250,787	91,941
	Note receivable (Note 6)	168,786	—
	Cash and short-term deposits	36,595	55,684
	Accounts receivable and other assets	19,571	13,971
	Oil and gas properties	9,334	—
	Mining and fixed assets	2,396	2,408
	Total	\$ 487,469	\$ 164,004

Auditors' Report

To the Shareholders of
Hollinger Argus Limited:

We have examined the consolidated balance sheet of Hollinger Argus Limited as at December 31, 1979 and the consolidated statements of earnings and retained earnings, unrealized loss on securities carried at quoted market price and changes in financial position for the year then ended. Our examination of the financial statements of the parent company was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. With respect to the subsidiaries, of which we are not the auditors, we have carried out such enquiries and examinations

as we considered necessary as a supplement to our reliance on the reports of the auditors of the subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Toronto, Ontario
February 18, 1980

Liabilities and Shareholders' Equity		1979	1978
		(thousands)	
Liabilities:	Accounts payable and accrued charges	\$ 2,303	\$ 281
	Income taxes and Newfoundland royalty taxes payable	16,022	2,793
	Long-term debt (Note 7)	77,720	—
	Total liabilities	96,045	3,074
Minority interests	— interests of minority shareholders in subsidiary companies	110,732	34,013
Deferred income taxes		25,141	—
Shareholders' Equity:	Share capital (Notes 8 and 9)	113,825	76,752
	Contributed surplus (Note 10)	44	—
	Unrealized loss on securities carried at quoted market price	(4,594)	—
	Retained earnings	146,276	50,165
	Total shareholders' equity	255,551	126,917
	Total	\$ 487,469	\$ 164,004

The accompanying notes are an integral part of the financial statements.

Approved by the Board

P. C. FINLAY
Director

C. M. BLACK
Director

Consolidated Statement of Unrealized Loss on Securities Carried at Quoted Market Price

For the year ended December 31, 1979

	(thousands)
Balance at December 31, 1978	\$ —
Unrealized loss	(6,940)
Deferred income taxes	994
Minority interests	1,352
Balance at December 31, 1979	\$ (4,594)

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1979 (with prior year's figures for comparison)

		1979	1978
		(thousands)	
Source of funds:	Funds provided from operations	\$ 34,015	\$ 18,495
	Proceeds on sale of investments, less income taxes	179,138	7,671
	Issue of common shares	36,000	—
	Increase in long-term debt	77,720	—
	Other	2,681	(2,991)
	Total	329,554	23,175
Application of funds:	Purchase of investments	90,889	—
	Note receivable	168,786	—
	Expenditures on oil and gas properties	9,334	—
	Cash dividends paid:		
	By parent company	10,268	15,058
	By subsidiaries to minority shareholders	6,153	7,488
	Acquisition of Argus Corporation Limited (Note 3)	63,213	—
	Total	348,643	22,546
Increase (decrease) in funds during the year		(19,089)	629
Cash and short-term deposits at beginning of the year		55,684	55,055
Cash and short-term deposits at end of the year		\$ 36,595	\$ 55,684

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

December 31, 1979

1. Significant Accounting Policies:

Principles of consolidation

The Financial statements consolidate the accounts of Hollinger Argus Limited (formerly Hollinger Mines Limited) and its direct subsidiaries.

	Percentage Interest
Argus Corporation Limited	77.31%
Labrador Mining and Exploration Company Limited	66.94%
Hollinger North Shore Exploration Company, Limited	60.00%

The operating results of Argus Corporation Limited are included in the consolidated financial statements from the date it effectively became a subsidiary, June 21, 1979, to December 31, 1979.

The basis of accounting for investments in securities with a quoted market value followed by Argus Corporation Limited, which is considered to be an investment company, is preserved in the consolidated financial statements.

Investments

Investments held by Argus Corporation Limited in securities with a quoted market value are carried at the closing market price thereof regardless of the equity interest held. Any change in the market price of these investments is reflected in the statement of unrealized loss on securities carried at quoted market price.

The investment in the Iron Ore Company of Canada is carried at the value at which it was carried at December 31, 1977 when the equity method of accounting for this investment was discontinued.

Other investments reflected in the consolidated financial statements are accounted for using the cost or equity method as appropriate. At December 31, 1979 and 1978 all such investments are carried at cost. In the event of a permanent diminution in value, investments not carried at quoted market prices would be written down to estimated realizable value.

Mining and fixed assets

Mining properties, rights and concessions are carried at cost less amounts written off. Costs are written off at such time as the likelihood of realization becomes remote. Property, plant and equipment are carried at cost. Depreciation is provided at rates varying from 10% to 30% using the declining-balance method. Profit or loss on retirement or disposal is included in current operations.

Exploration

All mining and frontier oil and gas exploration costs are written off in the year incurred. If a property is determined to be economic, all subsequent costs are deferred and amortized against related production income. Non-frontier oil and gas exploration costs are capitalized and will be depleted using the unit-of-production method, based on total estimated recoverable reserves as and when discovered or will be written off if exploration is unsuccessful.

Income taxes

Income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. Deferred income taxes are provided on the portion of the recorded unrealized gain on investments which would be taxable if the gains were realized. Timing differences giving rise to deferred income taxes relate primarily to non-frontier oil and gas exploration costs which are capitalized on the balance sheet but deducted for income tax purposes and the gain on disposal of an investment which will be subject to income tax when the related note is paid.

Foreign currency translation

Transactions in foreign currencies are translated at the rates which prevailed at the dates of the transactions; foreign currency assets and liabilities are translated at the rate prevailing at the end of the year.

2. Change in Financial Statement Presentation:

A non-classified balance sheet format has been adopted and accordingly the statement of changes in financial position reflects the change in cash and short-term deposits rather than working capital. Certain 1978 figures have been reclassified to conform to the presentation adopted in 1979.

3. Acquisition of Argus Corporation Limited:

As of June 21, 1979, the company acquired 96.4% of the outstanding common shares and 72.5% of the outstanding Class C participating, non-voting, preference shares (77.28% of the aggregate of the outstanding common and Class C preference shares) of Argus Corporation Limited, an investment company. Subsequent to June 21, 1979 additional Argus shares were purchased.

The following is a summary of the assets and liabilities of Argus Corporation Limited as at the effective acquisition date after allowing for the distribution by Argus of its shares in Hollinger Mines Limited (now Hollinger Argus Limited).

	(thousands)
Investment in securities with a quoted market price	\$130,199
Other assets	3,191
Liabilities, minority interests and deferred income taxes	(70,177)
Purchase price less cash and short-term deposits acquired of \$24,511,000	\$ 63,213

The purchase price for the transaction, which has been accounted for using the purchase method, comprised:

	(thousands)
Cash	\$ 51,724
900,000 Class A common treasury shares	36,000
	\$ 87,724

4. Securities carried at quoted market price:

The investments comprise the following as at December 31, 1979:

	Percentage Interest	Effective Cost* (thousands)	Quoted Market Price (thousands)
Dominion Stores Limited	37.9%	\$ 64,387	\$ 65,656
Massey-Ferguson Limited	16.4%	43,500	36,000
Standard Broadcasting Corporation Limited	51.0%	35,281	34,572
		\$143,168	\$136,228

* The effective cost is the quoted market price of the investment at the time of acquisition of Argus Corporation Limited plus subsequent purchases at cost.

The quoted market price may not represent the amount which could be realized on disposition of these blocks of shares.

5. Other Investments:

The investments comprise the following as at December 31, 1979:

	Percentage Interest	Carrying Value (thousands)
Iron Ore Company of Canada	10.47%	\$ 34,040
Norcen Energy Resources Limited (quoted market Price — \$76,500,000)	9.96%	77,720
Other	—	2,799
		\$114,559

6. Note Receivable:

The note receivable from Brascan Limited bears interest at a rate which varies quarterly with the 90-day bank term deposit rate, is callable at any time after October 15, 1981 and is due October 15, 1989.

7. Long-Term Debt:

The long-term debt consists of bank financing bearing interest at a rate not in excess of bank prime and secured by 2,400,000 shares of Norcen Energy Resources Limited.

8. Share Capital:

Share capital at December 31 is as follows:

	1979	1978
Authorized — no par value	7,000,000	5,000,000
Issued:		
Class A shares	5,338,663	4,400,604
Class B shares	507,087	519,396
Total	5,845,750	4,920,000

Class A and Class B shares are fully voting and are convertible into each other on a one-for-one basis. The only distinction between the two classes of shares is that the directors may pay a stock dividend of Class B shares on Class B shares.

During the year, 900,000 Class A shares, valued at \$36,000,000, were issued as partial consideration for the purchase of a controlling interest in Argus Corporation Limited and 25,750 Class B shares, valued at \$1,073,000, were issued as stock dividends.

9. Capitalization of Retained Earnings:

On November 15, 1978 the shareholders approved the transfer of \$52,152,000 of retained earnings to share capital.

10. Contributed Surplus

The contributed surplus arises on purchase for cancellation by Argus Corporation Limited of its outstanding preference shares.

11. Commitment:

The company is committed to spend approximately \$13,000,000 during 1980 in connection with its participation in an oil and gas joint venture, and has the option to continue to participate for three one year periods at an estimated cost of \$12,000,000 per year.

12. Earnings Per Share:

Earnings per common share have been calculated using the weighted average number of common shares outstanding during 1979 of 5,363,700 shares (1978 — 4,920,000 shares).

13. Subsequent Event:

On February 1, 1980, the company acquired, at a cost of \$290,345,000, an additional 7,243,250 shares of Norcen Energy Resources Limited increasing its shareholding to approximately 37%. The purchase price has been largely funded by bank financing secured by the shares of Norcen.

Consolidated Financial Review 1970-79

(in thousands of dollars)	1979	1978	1977	1976*	1975	1974	1973	1972	1971**	1970
Income from royalties	44,123	25,459	34,028	29,171	25,748	19,736	15,096	9,125	12,342	14,439
Interest	11,626	4,833	4,043	3,674	3,381	2,901	2,481	1,742	1,693	2,303
Dividends	7,925	4,207	4,930	4,500	6,521	5,221	4,225	3,450	3,606	3,414
Other income	1,290	1,669	1,797	1,373	890	503	567	397	877	618
Share of increase (decrease) in equity in Iron Ore Company of Canada	—	—	4,070	2,270	30	(7,041)	1,687	770	4,618	6,668
Gold and silver production	—	—	—	616	2,651	2,718	1,957	1,442	920	750
Total revenue	64,964	36,168	48,868	41,604	39,221	24,038	26,013	16,926	24,056	28,192
Expense	10,052	6,619	2,587	4,803	5,625	4,660	3,664	3,577	3,347	3,412
Earnings before taxes	54,912	29,549	46,281	36,801	33,596	19,378	22,349	13,349	20,709	24,780
Income taxes	15,013	6,520	12,840	11,670	9,750	7,425	6,006	3,180	4,380	6,075
Newfoundland royalty taxes	7,900	4,529	5,959	4,930	4,550	—	—	—	—	—
Earnings before minority interests and extraordinary item	31,999	18,500	27,482	20,201	19,296	11,953	16,343	10,169	16,329	18,705
Minority interests	10,176	5,490	7,816	6,482	5,841	4,824	4,542	2,823	4,135	4,687
Earnings before extraordinary item	21,823	13,010	19,666	13,719	13,455	7,129	11,801	7,346	12,194	14,018
Extraordinary item	85,629	829	—	—	—	—	376	—	—	(626)
Net earnings for year	107,452	13,839	19,666	13,719	13,455	7,129	12,177	7,346	12,194	13,392
Earnings per share before extraordinary item	\$4.07	\$2.64	\$4.00	\$2.79	\$2.73	\$1.45	\$2.40	\$1.49	\$2.48	\$2.82
Regular dividends paid per per share	\$2.20	\$2.06	\$1.944	\$1.80	\$1.65	\$1.60	\$1.60	\$1.60	\$1.60	\$1.50
Special dividend	—	\$1.00	—	—	—	—	—	—	—	—

* Restated in 1977 to reflect Hollinger's equity share of a prior period adjustment by Iron Ore Company of Canada for the capitalization of leases.

** In 1971 the company adopted the policy of including in income its proportionate share of the changes in its equity in Iron Ore Company of Canada instead of dividends received. 1970 figures are restated to reflect this policy. In 1978 the company reverted to the practice of taking into income dividends as received.

Financial Information

December 31, 1979

	Hollinger Argus Limited (non-consolidated)	Labrador Mining and Exploration Company Limited	Hollinger North Shore Exploration Company Limited	Argus Corporation Limited
	(thousands)			
Assets:				
Investment in consolidated subsidiaries	\$131,028	\$ —	\$ —	\$ —
Investments — other	23,456	88,805	—	138,527
Note receivable	—	168,786	—	—
Cash and short-term deposits	23,786	231	1,311	11,267
Accounts receivable and other assets	2,415	16,132	497	998
Oil and gas properties	4,667	4,667	—	—
Mining and fixed assets	27	1,936	432	—
Total assets	185,379	280,557	2,240	150,792
Liabilities:				
Current	695	9,187	483	8,234
Long-term	—	77,720	—	—
Deferred income taxes	866	21,328	—	2,947
	1,561	108,235	483	11,181
Shareholders' Equity	\$183,818	\$172,322	\$ 1,757	\$139,611
	(12 months)		(13 months)	
Revenue:				
Royalties on iron ore	\$ —	\$ 41,072	\$ 3,051	\$ —
Interest	2,530	8,021	242	2,774
Dividends from consolidated subsidiaries	7,423	—	—	—
Dividends — other	4,043	1,467	—	7,187
Other	881	160	249	—
Total revenue	14,877	50,720	3,542	9,961
Expenses	(1,478)	(7,428)	(626)	(1,130)
Taxes:				
Current	—	(11,918)	(957)	(834)
Deferred	(866)	(1,112)	—	—
Newfoundland royalty	—	(7,900)	—	—
Gain on sale of investments not carried at market price	57,124	46,040	38	—
Net earnings	\$ 69,657	\$ 68,402	\$ 1,997	\$ 7,997
"Regular" dividends paid	\$ 11,341	\$ 9,035	\$ 2,426	\$ 6,972

agreed to pay interest on the unpaid balance of the sale price from October 15, 1979, to the date of payment, semi-annually, at a rate equal to the 90 day term deposit rate quoted by a named Canadian Chartered Bank from time to time. As collateral security for payment of the sale price Brascan has given its promissory note to Labrador.

On closing of the sale Labrador received from Brascan a letter in which Brascan agreed, subject to the exceptions mentioned below, that if Brascan or its associates were to make, prior to June 30, 1980, any successful public offering to shareholders generally for shares of Noranda at a price exceeding \$21.50 per share, Brascan would pay to Labrador an amount equal to the difference between the weighted average price per share paid by Brascan or its associates under all such offers and \$21.50 multiplied by 7,850,490 (the number of Noranda shares sold to Brascan by Labrador). This obligation of Brascan would not apply in the case of privately negotiated purchases, purchases in the open market not constituting take-over bids, block offers and normal course purchases through stock exchange facilities, nor in the case, with certain qualifications, of offers by Brascan in response to a significant acquisition or imminently prospective acquisition of Noranda shares by another investor. Management of Labrador has no information that would indicate that a public offering to shareholders generally for shares of Noranda is likely to be made by Brascan.

A regular quarterly dividend of 55¢ per share on the Class A convertible common shares and the Class B convertible common shares was declared payable on the 30th day of November, 1979 to shareholders of record on the 2nd day of November, 1979. The said dividend on the Class B shares will be paid by way of a stock dividend of fully paid and non assessable Class B shares on the basis that the said Class B shares so issued in payment of the said dividend be valued at \$45.5978, provided that the Company will pay cash in lieu of any fractional interest in the Class B shares to be so issued that may occur on such stock dividend.

At the meeting of the Directors held on October 11, 1979 changes were made in the offices held by certain senior officers and additional senior officers were elected as follows:

Allen A. McMartin — Honourary Chairman of the Board (formerly Chairman)
P. C. Finlay — Chairman of the Board (formerly President) and Chief Executive Officer
Conrad M. Black — Vice-Chairman of the Board
G. Montagu Black — President
Dixon S. Chant — an Executive Vice-President
(C. Bruce Ross — continues as an Executive Vice-President)

As I have previously advised you from time to time, Hollinger Argus should have an excellent year in 1979.

Yours very truly,

P. C. FINLAY,
Chairman of the Board and
Chief Executive Officer

HOLLINGER ARGUS LIMITED

CONSOLIDATED STATEMENT OF EARNINGS For The Nine Months Ending September 30, 1979 (000's Omitted)

	1979 Actual	1978 Restated
REVENUE		
Royalties	\$ 32,232	\$ 13,489
Dividends	4,711	2,535
Interest — other	4,735	3,318
Debenture interest — I.O.C.	253	227
Gain on foreign exchange	7	824
Sundry	900	552
Total Revenue	\$ 42,838	\$ 20,945
EXPENSE		
Exploration	\$ 3,697	\$ 2,011
Administration	1,269	1,042
Depreciation	23	31
Total Expense	\$ 4,989	\$ 3,084
Earnings before the following items	\$ 37,849	\$ 17,861
TAXES:		
Income Taxes	\$ 10,953	\$ 4,921
Newfoundland Royalty Taxes	5,843	2,375
Total Taxes	\$ 16,796	\$ 7,296
Net earnings before extraordinary item	\$ 21,053	\$ 10,565
Gain on sale of investment	1,540	—
Net earnings before deducting minority interests	\$ 22,593	\$ 10,565
Minority interests	6,518	3,048
Net earnings for the period	\$ 16,075	\$ 7,517
Earnings per share before extraordinary item	\$ 2.79	\$ 1.53
Earnings per share after extraordinary item	\$ 3.09	\$ 1.53

Note — 1979 Earnings per share based on weighted average of 5,202,594 shares outstanding during the period.

HOLLINGER ARGUS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Nine Months ended September 30, 1979
(000's Omitted)

AR14

	1979 Actual	1978 Restated
WORKING CAPITAL DERIVED FROM:		
Net earnings before minority interest	\$ 21,053	\$ 10,565
Provision for depreciation	27	31
	<u>\$ 21,080</u>	<u>\$ 10,596</u>
Investments — net	8,935	179
Proceeds from Treasury Shares	36,000	—
	<u>\$ 66,015</u>	<u>\$ 10,775</u>
WORKING CAPITAL APPLIED TO:		
Purchase of investments	\$ 88,914	
Purchase of oil and gas properties	6,844	
Purchase of fixed assets	20	
Dividend:		
Parent Company	7,323	\$ 7,604
To Minority interests	2,526	2,446
	<u>\$105,627</u>	<u>\$ 10,050</u>
Increase (Decrease) in Working Capital	(\$ 39,612)	\$ 725
Working Capital at beginning of year	\$ 66,581	62,872
Working Capital at end of year	<u>\$ 26,969</u>	<u>\$ 63,597</u>

Printed in Canada

HOLLINGER ARGUS LIMITED HOLLINGER ARGUS LIMITÉE

AND ITS SUBSIDIARIES

LABRADOR MINING AND EXPLORATION COMPANY LIMITED
AND

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED

October 23, 1979.

To the Shareholders:

We are forwarding you herewith unaudited statement of earnings and changes in financial position of Hollinger Argus Limited for the nine months ended September 30, 1979, together with comparative restated figures for the nine months' period ended September 30, 1978. Consolidated with these statements are the results for the same period of Hollinger Argus' two subsidiaries, Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited.

The earnings for the first nine months of 1979 were very much better than in the corresponding period of 1978. Royalties in 1978 were adversely affected by the employees' strike at Iron Ore Company of Canada which commenced on March 9, 1978 and continued until July 19, 1978.

Dividend and interest income was higher in 1979 than in 1978 because of the increased dividends on investments, higher interest rates and interest on greater amounts invested in 1979.

Iron Ore Company's production and sales will approximate 25,000,000 tons in 1979 as we advised you in the six months' report ending June 30, 1979.

Increased production and increased pellet prices in 1979 over 1978 will result in the royalty income of Hollinger Argus' two subsidiaries reaching an all time high.

Also the net profit of Iron Ore Company will reach an all time high in 1979 and the substantial increase in cash flow will enable that company to make a substantial reduction in its outstanding liabilities.

Hollinger Argus and Labrador have entered into a joint venture with CanDel Oil Ltd. pursuant to which they have agreed to conduct joint oil and gas exploration in the Province of Alberta. The primary term of such programme is for the balance of the year 1979 ("Phase I") and the calendar year 1980 ("Phase II"). Hollinger Argus and Labrador have the option to extend the primary term for three additional one-year periods to be exercised on a yearly basis. The estimated cost of each of Hollinger Argus' and Labrador's participation is \$4.5 million in "Phase I" and \$6.5 million in "Phase II". The annual estimated budget for the option years is approximately \$16 million per year to be shared: Hollinger Argus — \$6 million; Labrador — \$6 million; CanDel — \$4 million. Hollinger Argus and Labrador, by satisfying their "Phase I" and "Phase II" obligations, shall each earn a 37½% working interest in the joint venture before payouts and a 25% interest after payouts. CanDel will be Manager-Operator of the joint venture and a Management Committee, consisting of representatives of all parties, will be established to provide effective communication and to review the conduct of operations.

On October 5, 1979, Labrador sold to Brascan Limited 7,850,490 common shares of Noranda Mines Limited (the entire holding of Labrador in Noranda) at the price of \$21.50 (Can.) per share, for a total of \$168,785,530 payable on October 15, 1989. After October 15, 1981, Labrador may call all or any part of the sale price on 90 days notice. Brascan further

We expect that more Iron Ore Company pellet shipments will be diverted away from the Seaway to ocean routes in 1979. Accordingly, the Seaway Authority will receive higher tolls on fewer tons, probably resulting in very little additional income. As stated above, governments will receive much less tax revenue than if the tolls had not been increased.

A significant change in accounting policy was made for the year 1978. The equity method of accounting was not used for the year 1978 and in subsequent fiscal years, Hollinger will record as income only dividends received from Iron Ore Company, rather than its share of the increase in equity of that Company. This change in the method of accounting will have the effect of decreasing Hollinger's earnings in the profitable years of Iron Ore Company. However, as we have no control over these equity earnings of Iron Ore Company, they should not be included in Hollinger's earnings except as and when same are paid out by Iron Ore Company in the way of dividends.

It now appears that the iron ore markets will remain strong during the balance of this year and, all in all, we expect that Hollinger will have a very good year.

Yours very truly,

P. C. FINLAY,
President

HOLLINGER MINES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS For the Three Months Ended March 31, 1979 (000's Omitted)

	1979	1978 (Restated)
REVENUE:		
Royalties	\$ 7,835	\$ 5,631
Dividends	1,309	846
Interest — other	1,652	1,028
Iron Ore Company of Canada		
Debenture interest	84	75
Gain on foreign exchange	—	571
Sundry	194	132
Total Revenue	<u>\$ 11,074</u>	<u>\$ 8,283</u>
EXPENSE:		
Exploration	\$ 249	\$ 267
Administration	378	346
Depreciation	7	11
Total Expense	<u>\$ 634</u>	<u>\$ 624</u>
Earnings before the following items	<u>\$ 10,440</u>	<u>\$ 7,659</u>
TAXES:		
Income taxes	\$ 3,373	\$ 2,205
Newfoundland royalty taxes	1,402	979
Total taxes	<u>\$ 4,775</u>	<u>\$ 3,184</u>
Net earnings before extraordinary item	<u>\$ 5,665</u>	<u>\$ 4,475</u>
Gain on sale of investment	915	—
Net earnings before deducting minority interests	<u>\$ 6,580</u>	<u>\$ 4,475</u>
Minority interests	1,725	1,389
Net earnings for the period	<u>\$ 4,855</u>	<u>\$ 3,086</u>
Earnings per share	<u>\$.99</u>	<u>\$.63</u>

8588
3940
4648

3951
3086
865

5665
4855
915
3940

HOLLINGER MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Months Ending March 31, 1979
(000's Omitted)

AR14

1979

1978

(Restated)

WORKING CAPITAL PROVIDED:

Income before minority interests and extraordinary items	\$ 5,665	\$ 4,475
Items not affecting working capital:		
Depreciation	7	11
Provided from operations	\$ 5,672	\$ 4,486
Sale of investment	6,394	19
Sale of other asset	5	—
Total	\$ 12,071	\$ 4,505

WORKING CAPITAL APPLIED:

Dividends paid:		
By Parent Company	\$ 2,440	\$ 2,535
By subsidiaries to minority shareholders	842	816
Total	\$ 3,282	\$ 3,351
Increase in Working Capital	\$ 8,789	\$ 1,154
Working Capital at beginning of year	66,581	62,872
Working Capital at end of period	\$ 75,370	\$ 64,026

May 11, 1979.

Printed in Canada

HOLLINGER MINES LIMITED MINES HOLLINGER LIMITÉE

AND ITS SUBSIDIARIES

LABRADOR MINING AND EXPLORATION COMPANY LIMITED
AND

HOLLINGER NORTH SHORE EXPLORATION COMPANY, LIMITED

May 14, 1979

To the Shareholders:

The unaudited Statements of Earnings and Changes in Financial Position of Hollinger Mines Limited for the three months ended March 31, 1979, are submitted herewith. Consolidated with these statements are the results for the same period of Hollinger's two main subsidiaries, Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company, Limited.

On March 9, 1978, a strike began at Iron Ore Company which reduced Hollinger's earnings to restated \$3.086 million, or \$0.63 per share for the first quarter of 1978, compared to \$4.855 million, or \$0.99 per share in the comparable period for 1979. Accordingly, production in the first quarter of 1979, together with higher dividend and interest revenue, accounted for the substantial increase in earnings over the corresponding period in 1978.

Barring unforeseen circumstances, production and sales by Iron Ore Company will approximate 25 million tons in 1979, which will exceed the previous record of 24.3 million tons set in 1976. Pellet prices were increased by 7.5% on April 6, 1979. If our expectations are realized, royalty income of Hollinger's two subsidiaries will set new records this year.

Seaway tolls increased in 1978 and 1979 and a further increase will be made in 1980. We estimate that in 1980 the annual loss of revenue of Iron Ore Company and the Concession Companies, because of the increased tolls, will amount to over \$8,000,000. Furthermore, there will be an annual loss in tax revenues to Federal and Provincial governments of more than \$4,000,000. The higher tolls are encouraging shippers to use the ocean route to the important United States markets instead of the Seaway for a higher proportion of iron ore produced in Labrador and Quebec. They will adversely affect the carriers and grain shippers because the upstream iron ore shipments provide a balance for downstream grain shipments. In 1977, 56.5% of the pellets shipped by Iron Ore Company went up the Seaway. In 1978, the year of the strike at Iron Ore Company, only 39% were transported through the Seaway.